



**June 21, 2006**

## **Nursing home operators plead guilty to equity skimming**

**Antonio L. Giordano** and **John Montecalvo** pled guilty today to equity skimming in violation of federal housing law governing three nursing homes that they controlled. Giordano and Montecalvo admitted that they caused about \$780,000 in unreasonable and unnecessary payments on behalf of the nursing homes when the homes were either in default of federally backed mortgages or were operating in a “nonsurplus cash” position.

The Office of the United States Attorney announced the guilty pleas, which the defendants entered before U.S. District Court Judge Mary M. Lisi in U.S. District Court, Providence.

At the plea hearing, Assistant U.S. Attorney Andrew J. Reich said that the government could prove that Giordano, who owned the three nursing homes through partnerships, and Montecalvo, who maintained financial control over the homes for Giordano, caused payments totaling \$780,539 to be made to My Place, Inc., which a member of Giordano’s family owned.

My Place, Inc. provided a limited number of services to nursing home employees, none of which were reasonable or necessary to the operation of the nursing homes. It held holiday parties for staff and families, conducted raffles, provided arts and crafts and occasionally gave gifts of nominal value to employees along with their pay checks. Nursing home administrators and others sometimes complained to Montecalvo and Giordano about the uselessness of payments to My Place but the defendants insisted that the payments be made.

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While those payments were being made, the nursing homes, Mount Saint Francis Health Center, Coventry Health Continuum, and Hillside Health Center, were either in default of mortgages insured by the Department of Housing and Urban Development, or were operating without enough cash to satisfy all of their financial obligations. It is illegal to make unnecessary or unreasonable payments when in default of HUD-backed mortgages or when operating in a “non surplus cash” position.

"Diverting funds in this manner seriously undermines HUD's efforts to provide adequate nursing home facilities to those who are seriously in need." said HUD Inspector General Kenneth M. Donohue. “HUD's Office of Investigations is pleased to join the U.S. Attorney's Office in undertaking this investigation and prosecution for the benefit of the citizens of Rhode Island, and of HUD-funded nursing homes.”

In plea agreements with the government, Giordano and Montecalvo acknowledged that the charges to which they pled guilty resolve only the criminal aspects of the investigation and do not restrict “the United States of America, acting by and on behalf of HUD, from pursuing any administrative actions” against the defendants and any of the entities connected to the nursing homes.

The maximum penalty for equity skimming is five years imprisonment and a \$500,000 fine. The defendants are free on unsecured bond pending sentencing, which is scheduled for September 15.

The HUD Office of Inspector General (OIG) and HUD auditors conducted the investigation, with assistance from the Federal Bureau of Investigation.

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